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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001572

SIPDIS

STATE PASS AIT/W

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TAGS: [PREL](#) [PGOV](#) [PINR](#) [CH](#) [TW](#)

SUBJECT: CHEN ADMINISTRATION DENOUNCES KMT-CCP AGREEMENT

REF: A. TAIPEI 1437

[1](#)B. TAIPEI 1438

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[1](#)1. (C) Summary: Chen administration officials denounced a 10-point joint statement worked out in Beijing March 30 between KMT Vice Chairman P.K. Chiang and PRC Taiwan Affairs Office (TAO) Director Chen Yunlin. Pan-Blue officials hailed the KMT-CCP meeting as the start of a new offensive to wrest control of cross-Straits policy from the Chen government. Ruling party officials responded by accusing the KMT of selling out Taiwan and warning that the KMT will pay for its sins at the ballot box. On March 29, President Chen Shui-bian excoriated Chiang for the "deranged" timing of his visit which, he asserted, put KMT party interests ahead of the national welfare. Privately, Taiwan officials warn AIT that the PRC's attempts to play Taiwan domestic politics will make it harder to renew cross-Straits liberalization initiatives suspended in the wake of Beijing's passage of the Anti-Secession Law. Mainland Affairs Council (MAC) Chairman Joseph Wu privately expressed disappointment over the State Department spokesman's positive March 30 comments on the Chiang visit. End Summary.

If the DPP Can't Do It, the KMT Can

[1](#)2. (C) The Taiwan government reacted strongly to reports that KMT Vice Chairman signed a ten-point agreement with PRC State Council/Chinese Communist Party (CCP) TAO Director Chen Yunlin on March 30. Chiang led a large KMT delegation to the Mainland in what was billed by party officials as a "journey of reconciliation" that would "break the ice" in cross-Straits relations. Following a two-hour meeting in Beijing, the two sides agreed on a joint statement calling on the PRC and Taiwan to accelerate economic, travel, agricultural, and student exchanges. KMT Spokesman Chang Jung-kong told reporters that the most significant aspect of the agreement was Beijing's pledge to establish a framework to protect Taiwan investment on the Mainland. In public comments during his visit, Chiang boasted that the KMT had accomplished on this one trip what the Democratic Progressive Party (DPP) government had failed to do in five years of government.

[1](#)3. (C) Spencer Chang, a senior official in the pro-unification New Party, told AIT on March 31 that his party, which has formally aligned itself with the KMT, played a key role in arranging KMT-CCP contacts. Chang said that he was in Beijing recently to arrange the KMT-CCP accord, meeting with a number of senior PRC officials, including Vice Foreign Minister Dai Bingguo. Chang said that in addition to the ten issues outlined on March 30, the PRC has agreed to give the KMT credit for a number of additional future PRC concessions, including a formula for Taiwan to gain observer status in the World Health Assembly (WHA). Chang added that the KMT will also work out an agreement with Beijing to implement the Three Links, and force the government in Taipei to respect the agreement by putting it to a referendum. When pressed on the PRC's reaction to using a referendum to implement such an agreement, Chang replied that "Beijing doesn't oppose all referenda, it just depends what the subject is."

Communists and Their Fellow Travelers

[1](#)4. (C) Senior DPP leaders reacted angrily to the Chiang delegation visit. During a March 29 speech to a youth group, President Chen Shui-bian charged the KMT with living in a time warp and of putting the interests of the party ahead of the nation. Chen was particularly scathing over the timing of the KMT visit, accusing the opposition party of assisting PRC promotion of its Anti-Secession Law. MAC Chairman Joseph Wu asserted to AIT that the Chiang delegation's real purpose was to pave the way for a visit in May or June by KMT Chairman Lien Chan. Wu said the visit would be Lien's "grand performance" to cap "an otherwise failed political career."

The DPP-PFP 10 Points vs. the KMT-CCP 10 Points

[1](#)5. (C) People First Party (PFP) Chairman James Soong publicly

criticized the KMT in similarly strong terms, dismissing the Chiang delegation as irrelevant due to its lack of official authorization. MAC's Wu said that the KMT was clearly intent on using its CCP contacts to undermine efforts by the DPP and PFP to develop a cross-partisan consensus on Mainland policy.

Parallels are already being drawn in the Taiwan media between the Chen-Soong "10 Point Agreement" of February 24 and the KMT-CCP "10 Point Agreement" of March 30. The New Party's Chang admitted to AIT a major benefit of the KMT-CCP arrangement was that it undercut Soong's recent contacts with the DPP.

Adding Insult to Injury

16. (C) While the President and MAC Chair concentrated their ire on the KMT, National Security Council (NSC) Senior Advisor for cross-Strait affairs Chen Chung-hsin said he was even angrier at Beijing for showing bad faith. "The KMT delegates were simply props for PRC propaganda," Chen remarked. Chen, echoing the views of senior working level MAC officials, asserted that Beijing knows that none of the ten policy initiatives announced on March 30 can be implemented by an opposition political party. "They are all either unilateral PRC actions or issues that will require cooperation from executive agencies in Taiwan," Chen added. Chen complained that Beijing's recent moves are making it increasingly difficult for moderates like himself to advocate continued engagement with the PRC. "I look like an idiot arguing to my NSC colleagues that we should look for signs of sincerity in PRC actions when they (Beijing) pull stunts like this," Chen fumed.

17. (C) MAC's Wu told AIT that the government has not changed its fundamental commitment to resuming cross-Strait economic liberalization policies, but said that the PRC's renewed "united front" push has made this much harder to do. Wu said that the government would offer no new initiatives before the May 14 National Assembly (NA) election for fear that the Taiwan Solidarity Union (TSU) would use them against the DPP government. "Any policy we introduce in the current environment would be mutilated by domestic politics," he added. At the same time, however, Wu said the May election for the NA and the December local elections will help the DPP frustrate Beijing's "united front" campaign. "We (the government) don't need to punish the KMT for selling out Taiwan," Wu boasted, "the voters will do that for us in May and December." A KMT setback in the May NA election could, however, undermine DPP support for ratification of legislative reforms passed by the Legislative Yuan (LY) last August, since the DPP is aligned with the KMT on the issue against the TSU and PFP.

Not in the U.S. Interest

18. (C) Wu expressed disappointment at the positive comments made by the State Department spokesman on the Chiang visit reported in the Taiwan media March 30. Wu urged the USG to avoid commentary on the issue, since Beijing's contacts with the KMT are aimed at dividing Taiwan internally, not improving cross-Strait relations. Wu added that the KMT's emerging relationship with the CCP is only likely to increase chances that the KMT will block Legislative Yuan (LY) action on the special defense procurement budget during the current session.

Comment: Poison Pills

19. (C) KMT attempts to steal the cross-Strait agenda from the DPP government are more likely to provoke a strong anti-PRC reaction by President Chen (Ref A) and his government than to produce a breakthrough over the WHA or the Three Links. Whether or not Beijing is intentionally accelerating its "united front" campaign against the DPP, the Hsu Wen-lung episode (Ref B) and high-level treatment of the Chiang delegation has already convinced many senior officials in Taipei that Beijing is uninterested in repairing the damage from the Anti-Secession Law. More troubling, Beijing's decision to deliver its cross-Strait "goodwill gestures" through the KMT may make all ten items poison from Taipei's vantage point. While MAC's Wu emphasized that Taipei has not closed the door to renewed economic liberalization, he said that from his perspective, the PRC's March 30 offers amounted to a major "bad-will gesture" from Beijing.

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